Vanguard Properties, Inc.
Merrill Mining
3340 Peachtree Rd. NE
Suite 2200
Atlanta, GA 30326
404-495-9577

21 November 2006

Mr. Bryan Wilson
President and CEO
Mohave Resources, Inc.
502 North Division Street
Carson City, Nevada 89705

Subject: Florence In Situ Leach Copper Project

Dear Mr. Wilson:

Thank you for your recent proposal regarding the Florence Copper Project. We at Merrill Mining (Merrill) are interested in entering negotiations with Mohave Resources, Inc. at the earliest possible date. However, we are concerned that your proposal does not reflect the studies and in-situ leach (field) test that will be required to demonstrate that the Poston Butte deposit can be mined and remediated in an economically viable and environmentally acceptable manner. We are also concerned that your proposal does not recognize the lost income that Merrill will experience during the testing program and after the testing program, assuming that the tests demonstrate that the deposit can be mined and remediated in an economically viable and environmentally acceptable manner.

As explained below, there were major disparities between the results of field tests and the assumptions regarding the copper recovery mechanisms and recovery rates that were used to justify the permits for, and the economic viability of, the Florence Copper Project. The disparities led BHP Copper to conclude that the field test results did not justify building a leach facility at Florence and that a new field test should be conducted, provided that certain conditions could be met. Until new field tests demonstrate adequate copper recovery and aquifer remediation, a reasonably grounded economic model for the Project cannot be developed and, without such a model, there can be no basis for determining fair royalty.

The following provides background information to help you understand Merrill's concerns about its property and about the scope of the required studies and field tests.

Property

Merrill owns all but 160 acres of the 350-acre facility site. The 160 acres is owned by the State of Arizona and the State's 160 acres is located within the in-situ mine site. The mine site, of course, is located within the facility boundaries. Merrill owns 1,800 acres that surround the facility site, south of Hunt Highway. Merrill also owns a strip of land immediately north of Hunt Highway. (See the enclosed Figure 1.) Merrill has three basic concerns with respect to the property described above.

- Uncertainties - Merrill is concerned that the time required for mining and closing the mine cannot now be reasonably estimated. As discussed below, recovery-related issues suggest that the time required to leach the copper and remediate the impacted aquifer will be much greater than originally estimated and could easily be two times the 15 years originally estimated. With the 15-year post-closure requirement, it is possible that the total time between start of operations and completion of post-closure monitoring and maintenance could exceed 45 years.

- Lost development opportunities - Merrill is concerned that it will not be able to develop the 1,800 acres surrounding the facility site until the facility closure has been completed. Merrill is also concerned that the market value of the land immediately north of Hunt Highway will be detrimentally affected at least until closure has been completed.

- Mine-induced subsidence - Merrill is concerned that the increased leach time mentioned above will increase the probability of mine-induced subsidence. Just the threat of subsidence could detrimentally affect future land use on Merrill's property.

Recovery-related issues

BHP Copper never finalized its report on the field tests that were conducted in 1997 and 1998. A Draft Field Test Report (Report) was prepared and shown to have been revised in October 1999. However, the Report apparently was never completed. The Report is of special significance because it discusses major disparities between the data that was produced during the field tests and the data used to justify the economic viability of the Project during the permitting of the facility in 1996 and 1997.

The most significant disparities discussed in the Report relate to the disparities between the recovery rates measured during the field tests and the recovery rates that were projected on the basis of laboratory tests. On page 109 of the Report, BHP Copper noted that a recovery curve had not been demonstrated and that "If the solution chemistry in the production well BHP-1 is, in fact, a result of water-rock reactions, in-situ leaching at Florence may not be possible. "

Based on the discussions in the Report, BHP Copper had based its recovery estimates and mine plan on the assumption that 67% of the total copper was in fractures easily accessible to the acidified leachate solution. However, the very low recovery rates obtained during the field test suggest that much longer leach times might be required. (Report, pp. 107 and 110.) This means that that the time required to recover copper at each well will be much greater than originally envisioned. The amount of copper recoverable using extended leach times is unknown. However, BHP Copper notes on page 107 of the Report that models suggest that copper recovery of 60% to 65% might be obtained with leach times of 6 to 8 years. The impacts that such long leach times would have on the water balance and mine block closure plans were not addressed in the Report.

Effect of transition

The shift to extended leach times will likely require major revisions to the facility design, mine operating plan, mine block closure plans, facility closure plans, and post-closure plans. Some, if not all, of the revisions will result in increased capital and operating costs. All will require major modifications of permits and it is very likely that the Arizona Department of Environmental Quality will require the modifications to be approved prior to the next field test. All of the above, plus the results of the next field test, will need to be reflected in the Project's economic model.

Additional studies and leach tests

On page 111 of the Report, BHP Copper concluded that a new leach test should be completed because the field test results were not sufficient to justify building an in-situ leach facility at Florence. BHP Copper cautioned that the new test should not be run under the same conditions as the first because the results would likely be the same. Instead, it recommended that additional wells be drilled so that the test would include multiple cells and that the test be conducted over a much longer period than the first field test. The creation of multi-cell test field will not only involve additional well costs, it will require a significant expansion of the existing water management system. Most importantly, BHP Copper recommended that there be an improved understanding of the geochemical and hydrogeological mechanisms at work before attempting the design of a new field test.

BHP Copper estimated that a leach test of at least 200 days would be required to better understand fracture flow. (Report, p. 102.) BHP also noted that the estimated recovery rates cannot be validated until a field-scale leach test is run to completion and that running such a test to completion would take years. (Report, p. 110.)

Remediation

Before suspending hydraulic control at the test field, Merrill had detailed analyses of the groundwater performed in order to comply with state and federal permits. The tests demonstrated that the groundwater within the zone impacted by the test had been restored to groundwater standards or to pre-test conditions as required by the permits. However,

the tests indicated that a significant decrease in pH could occur if leaching of the deposit proceeds as currently authorized by the permits. The methods discussed in the Report for increasing copper recovery would further exacerbate the low pH problem and could mobilize heavy metals and radiological elements. Merrill does not know how the low pH issue can be successfully addressed.

Schedules

For reasons discussed above, Merrill anticipates that 2 to 3 years will be required to obtain the permits and install the additional wells and equipment needed to conduct the next field test. The required length of the test will be determined later, but - based on information discussed above - injection would continue for at least 200 days and could be required to continue for several years. Also, the regulatory agencies will likely require some evidence that the zone impacted by long leach times can be remediated. The length of the required remediation test is, of course, unknown. Thus, it is not unreasonable to anticipate that it will be 3 to 6 years, minimum, before Mohave Resources will know whether a field test will show that the Poston Butte deposit can be mined and remediated in an environmentally acceptable manner. Only then can a reasonably grounded economic model of the Project be developed and the economic viability of the Project determined.

Mr. Wilson, I bring the foregoing to your attention so that you will understand why Merrill cannot enter into the option agreement that you proposed. If you wish to submit a more responsive proposal, please e-mail or fax it to me no later than COB December 6, 2006.

Please call me if you have questions.

Sincerely,

Roger L. Ames, Registered Geologist

Adrain Taylor, Senior Vice President

CC: Mike Rice, State Lands
Eric Mears, Brown and Caldwell